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SUBJECT: 2010 FOOD SECURITY PLANNING: INDONESIA

REF: (A) STATE 097423; (B) JAKARTA 01583; (C) JAKARTA 001808 (D)  
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11. SUMMARY: Substantial potential exists for Indonesia to achieve greater food security through cash crops and fisheries, and to replicate its successes in other developing countries in the region. Indonesia has over 110 million people living on less than \$2 dollar a day and around 13 million malnourished children. The Government of Indonesia (GOI) is in the process of preparing a medium term plan which includes the major areas for food security actions. Indonesia could serve as an incubator for pilot food security activities. USDA has a track record of successful partnerships in Indonesia. USAID/INDONESIA is developing a new program to improve food security by increasing employment and incomes for vulnerable rural families. Indonesia USAID's program will address basic rural needs: investment in agricultural universities for teaching, research and extension; promotion of small enterprises for agricultural inputs, crop processing and marketing; and public private partnerships to promote horticulture, cocoa and coffee. Nutrition issues will also receive attention. Given the needs and potential, the Mission requests that Indonesia be considered for the food security initiative. End Summary.

#### FALTERING RURAL ECONOMY

12. Almost half of Indonesia's 240 million population lives on less than \$2 a day (Ref B and C). Thirteen million children are malnourished. Most poor families live in rural areas and depend on the agriculture sector for family incomes. Indonesian agriculture has been neglected by the GOI and donors for more than a decade. As a result, the rural small farm sector is falling behind the urban economy. The GOI gives high priority to self-sufficiency in rice, sugar, soybeans, corn and beef. However, the best opportunities for raising rural family incomes, reducing poverty, and increasing food security are in small-holder cash commodities: horticulture and fish for the demanding urban market, and coffee and cocoa for export. Transforming agricultural and fisheries production, to meet ready markets, requires determined, far-sighted investment by the GOI and donors. To revitalize Indonesia's rural agriculture sector, the U.S. and other donors need to return to substantial, steady investment in the rural agricultural sector, giving first priority to agriculture and fisheries institutions for teaching, research and extension.

#### POVERTY AND HUNGER

13. Reducing poverty in Indonesia is less about increasing production of staples than about having well designed rural employment and income strategies, as well as effective policies and institutions. Efforts to reduce poverty and to increase food security in Indonesia face a range of challenges including widespread bureaucratic inefficiency and political corruption. A profile of Indonesia's poor families reveals the obstacles they must overcome to share in Indonesia's success as a middle-income nation. Information from the

2004 National Social and Economic Survey (SUSENAS), analyzed in detail by the World Bank in 2006, shows the underlying problems:

75% of low income workers are in the informal sector; more than 60% of poor families depend on income from agriculture; 55% of the poor have less than a primary education and 16% are illiterate; 50% of the poor lack access to clean water; 75% do not have adequate sanitation; 25% of children under five are malnourished; Lack of adequate economic infrastructure such as reliable rural roads and efficient ports constrains growth for agriculture and agri-business.

#### INDONESIAN FOOD SECURITY STRATEGY

14. The new GOI is busy preparing a five year medium term plan. The plan is expected to adequately cover food security issues and serve as a basis for country owned joint action. Food security is definitely a high national priority, although many Indonesian think in terms of self-sufficiency, especially in rice, sugar, soybeans, corn and beef. It is understood that the President will be appointing a minister level person to head the food security efforts.

#### INDONESIA AS AN INCUBATOR FOR DEVELOPING PILOT FOOD SECURITY INITIATIVES

15. In terms of Global Food Security initiatives, Indonesia is no longer in the category of a poor country. In the words of a high-level Indonesian Food Security official, Indonesia has graduated from the standard donor-recipient development assistance model and is ready to participate in a new model. This new model as

JAKARTA 00002024 002 OF 003

described by the local official would be consistent with the five principles described by Secretary Clinton in recent speeches on Food Security - including the need to improve coordination at every level. The new model would also emphasize investment in country-led plans, and the importance of close working partnerships with bilateral and multilateral institutions - to include private sector, university, and NGO participation.

-- A number of Indonesia-based stakeholders - including Jakarta-based multilateral development institutions and international NGO's with decades of local experience - believe Indonesia is uniquely positioned to serve as an "incubator" for pilot food security initiatives. This belief is based on a number of factors, including the diverse food security-related conditions throughout the archipelago; the long-established working relationships among the various stakeholders - to include bilateral/multilateral institutions; the NGO community; and university and private sector institutions; and the successful implementation and sustainability of previous food-security and development initiatives.

-- The Country Director for the World Food Program specifically expressed her opinion in a meeting with Ambassador Hume that the WFP would like to coordinate with other stakeholders in developing "pilot initiatives" in Indonesia for their programs aimed at maternal and childhood nutrition programs. These programs would be targeted to the neediest areas in Eastern Indonesia with the goal of working with various stakeholders in a fully coordinated matter - to include the United States and other bilateral and multilateral partners. Once implemented, these projects could be replicated throughout the region through the assistance of the respective stakeholders, including Indonesian stakeholders.

#### USDA DEVELOPMENT ASSISTANCE PROGRAMS IN INDONESIA: A TRACK RECORD OF SUSTAINABILITY THROUGH PARTNERSHIPS

16. From 1999 to 2004, Indonesia was one of the largest recipients of USDA food assistance programming. In many cases, the programs implemented through participating NGO's became models for their programming in other countries. Thus, there is a track record of success in the development of pilot initiatives in Indonesia. Once developed in Indonesia, the NGOs replicate the model in third

countries via participating stakeholders. Common ingredients of successful models included an emphasis on private sector involvement; creating sustainability beyond the USDA funding; and ensuring proper coordination among the various stakeholders. Examples of successful models include the following:

-- **Susu Sekolah:** Susu Sekolah is the local term used for the School Milk Feeding Program funded through the USDA Section 416(b) program beginning in 1999. The program included several government, private sector and NGO partners and was implemented by Land O'Lakes through an agreement with USDA. Based on the model developed in Indonesia, Land O'Lakes has successfully conducted similar school milk feeding programs in several other countries in Southeast Asia and South Asia. In Indonesia, milk consumption has tripled over the past decade, due in large part to the Indonesian dairy processors involvement in USDA school feeding programs.

-- **SEAFast Center:** The Southeast Asia Food and Agricultural Science and Technology (SEAFast) Center began as a partnership between the U.S. Department of Agriculture (USDA), Texas A&M University, and Bogor Agricultural University (IPB). At the time, it was the only USDA food assistance program implemented by a Land Grant University. Based at IPB, the SEAFast Center's mission is to improve food safety and nutrition in Indonesia and throughout Southeast Asia through food science education, faculty development, research, and product development. In pursuit of this mission, the SEAFast Center is successfully pioneering linkages between industry, academia and government. Though USDA funding ended in December 2008, SEAFast has continued to implement related activities by using its own resources or by leveraging resources from the private sector. By doing so, it has maintained its university linkage with Texas A&M and has recently expanded its outreach to include other university and private sector institutions in Southeast Asia.

-- **Cocoa Pest and Disease Management:** Indonesia is a major cocoa exporter and an important source of cocoa for U.S. chocolate manufacturers. Its cocoa production, however, is threatened by pest and disease. To help address these issues, USDA provided funding to ACIDI-VOCA through the Section 416(b) program beginning in 2000. ACIDI-VOCA used the model developed in Indonesia and has since successfully implemented similar programs in other countries in Southeast Asia, South America and West Africa. In Indonesia, many of the extension programs have been sustained through local government extension offices with support from the World Cocoa

JAKARTA 00002024 003 OF 003

Foundation and U.S. companies such as Mars Inc. and Cargill.

AMARTA, AN EMERGING SUCCESS

17. USAID's current agribusiness activity AMARTA supported value chain development for 10 high-value commodities by increasing productivity, establishing marketable quality, enhancing access to new and better markets, and advocating improvements in the regulatory environment and infrastructure. AMARTA is now concentrating on horticulture, cocoa and coffee as the most promising areas. AMARTA provides long- and short-term technical assistance, public outreach and advocacy, limited commodity support and training and conferences to address the quality, marketing, institutional, and policy advocacy issues.

USAID ECONOMIC GROWTH PLANS FOR INDONESIA

18. Economic growth that benefits the poor is the main route to food security and poverty reduction. The poor are producers, entrepreneurs and workers who must find ways to increase productivity and to increase sales. USAID aims to spur growth by increasing production of selected high-value crops to generate employment and incomes, and improving the policy environment for encouraging employment, long-term savings, and poverty reduction.

In agriculture USAID will build on the results of AMARTA and concentrating on horticulture, coffee, and cocoa, USAID will focus its assistance on increasing incomes, food security, and ability to adapt to climate change by:

A) Raising agricultural productivity through strengthened capacity of leading Indonesian agricultural universities through linkages with U.S. land grant universities.

B) Improving the GOI extension system to deliver production- and income-enhancing services to farmers.

C) Reducing barriers to market access by increasing the capacity of farmer associations and agribusinesses to advocate for less restrictive regulations. Support macroeconomic and sector policies that provide the necessary environment for economic growth.

Nutrition is also of concern to USAID as surveys of maternal and child nutrition continue to show substantial malnutrition. Currently around 13 million children are estimated to be malnourished.

With additional funds, the new agricultural program can be substantially expanded to deepen and broaden interventions.

#### FISHERIES

¶9. Another potential action to further food security in Indonesia is to support the sustainable development and management of fisheries. In particular, a valuable contribution would be the establishment of an Indonesia-U.S. Center for Sustainable Ocean Fisheries (Ref D).

¶10. ACTION REQUEST: Please continue efforts to have Indonesia considered for the food security initiative.

HUME